US EXECUTIVE APPROVAL FORM

CUSTOMER NAME: Verizon Communications – 6/24/03

SECTION I - Approval Requests:
HQAPP Requests:

Background
Oracle's relationship with Verizon is in a very strained condition due to the following:
- The expiration of customer's Master Agreement.
- Perception that Oracle was holding the customer "hostage" based on a discrepancy between a legacy Bell Atlantic ELA (includes Database options) and legacy GTE ELA (does not include Database options).
- CIO's belief that current business terms ignore the tremendous amount of business previously transacted and business pending.

Based on these factors, Verizon's CIO issued a memo forbidding any new Oracle initiatives until the current situation is improved (new Master Agreement, better discounts, and a reasonable solution to the ELA discrepancy).

Verizon is comprised of two former Oracle Enterprise License Customers with a combined annual support renewal stream of approximately $13M (Bell Atlantic and GTE). This merger took place over 3 years ago, and it is now impossible to decipher which employees have rights to the database options. The plan is to maintain the Database Enterprise Edition as a personnel license type, and present the client with 2 licensing options as outlined below: Option 1 - Add an appropriate number of personnel licenses for the database options so all employees have access; -OR- Option 2 - Migrate the database options from the Bell Atlantic ELA to Processors. This approval is an outgrowth of the April meeting in NYC with the customer and Rich Allison, Dorena Chan, and Sales, and is intended to get us back on track with the customer as we finalize the new Master Agreement.

General Requests:
The following requests will apply to both Option #1 and Option #2:
1. Price Holds:
   a. 75% price hold for "Core Tech" products for 3 years.
   b. 50% price hold for "Apps" products with $500K minimum through May 31, 2004; 40% with $500K minimum for an additional 2 years. (This has been approved by the Apps team).
2. Support Cap: 0% through Year 3, 2% in Years 4 and 5. This is for new support only.

Licensing Option #1 (Enterprise True Up):
1. Approval to offer "Personnel" licenses to Verizon for database options (specific product detail provided below).
2. Allow Verizon to exclude the following entities from this Agreement:
   a. Minority-owned Affiliate = Telus, which is a minority-owned affiliate in Canada with approximately 28K employees.
   b. Verizon Wireless (approximately 40K employees).

Details for #1 above:
The following (5) products represent the "bundle" that Sales would like to initially present to Verizon. However, the customer may come back and request to unbundle these products and not purchase all of them. With the exclusions listed above, the employee count that would be expected to require licensing for the following products is 64K:

a. RAC Option at an 89.569% discount (involves a net/net migration from 123,500 Personnel licenses of OPS to 187,500 Personnel licenses of RAC): potential net new license revenue expected = $3,000,219

Based on Migration team's credit methodology:
RAC net at 89.569% discount vs. NUP = $7,823,250

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Net Fees Paid for OPS at 86.87% (blended) =	($4,823,031)
Net new license fee =	$3,000,219

b. Partitioning Option at an 88.21% discount: potential net new license revenue expected = $1,502,995
- Partitioning at $23.58 for new personnel licenses to be added (88.21% discount off Named User Plus)

c. Diagnostics Option at an 88.21% discount: potential net new license revenue expected = $450,899
- Diagnostics at $7.08 for new personnel licenses to be added (88.21% discount off Named User Plus)

d. Tuning Option at an 88.21% discount: potential net new license revenue expected = $450,899
- Tuning at $7.08 for new personnel licenses to be added (88.21% discount off Named User Plus)

e. iAS Option at a 91.784% discount (involves a net/net migration from 123,500 Personnel licenses of Developer Server AND OAS to 187,500 Personnel licenses of iAS): potential net new license revenue expected = $3,005,991:

Account Team thinks it is unlikely that iAS will be included in an Enterprise License purchase. Instead, Verizon might elect to migrate Developer Server and Application Server to as many CPU licenses as possible. In either event, Verizon will certainly need to understand this option.

<u>Based on Migration team's credit methodology:</u>

iAS net at 91.784% discount =	$6,162,000
Net Fees Paid for DS / AS at 86.87% (blended) =	($3,161,315)
Net new license fee =	$3,000,685

SECTION II – Deal Summary for Licensing Option #1 (Enterprise True Up):

Deal Summary	
Programs	RAC, Partitioning, Diagnostics, Tuning, iAS - Personnel
License Discount	89.569% for OPS to RAC Migration 91.784% for Developer Server AND OAS to iAS Migration 88.21% on net new purchases
Support Discount	Same as license
Support Options/Holds	Updates and Product Support / 0% through Year 3, 2% in Years 4 and 5
Price Holds	75% for Core Tech – 3 years 50% for Apps ($500K min) through May 31, 2004; 40% ($500K min) for an additional 2 years
List License	$45M (does not include iAS Option)
List Support	$10.1M (at 22%)
Net License	$ 5.4M
Net Support	$ 1.2M
Net Total Price	$ 6.6M
Price List Used	Current

<u>Licensing Option #2 (Migration):</u>

1. Approval for a 75% discount on a net/net migration from Personnel licensing to Processors for RAC, Partitioning, Diagnostics, Tuning, and iAS.
2. As part of the migration, approval to allocate net fees paid credit for each product (pricing was bundled to the client as part of the Bell Atlantic ELA) on a variable product utilization rate. The migrations team calculated the line item credits using 100% utilization rate on each product. As part of the April discussion with Rich

Allison, we calculated line item credits using a utilization rate as described below. Details for the variable utilization rate net fees credits are as follows (TOTAL net fees credit are approximately $11.1M):

a. OPS Line Item Credit - 50% utilization with a 83.34% discount = Approx. credit of $3.1M. Net new license fees = $3,000 (represents a migration to only 621 processors)
b. Partitioning Line Item Credit - 50% utilization with a 83.34% discount = Approx. credit of $3.1M. Net new license fees = $1,038,500 (1,655 processors)
c. Diagnostics Line Item Credit - 95% utilization with a 83.34% discount = Approx. credit of $930K. Net new license fees = $311,550 (1,655 processors)
d. Tuning Line Item Credit - 95% utilization with a 83.34% discount = Approx. credit of $930K. Net new license fees = $311,550 (1,655 processors)
e. Developer Server PLUS Application Server Line Item Credits - 75% utilization with a 83.34% discount = Approx. credit of $3.1M. Net new license fees = $2,648,000 (1,150 processors)

SECTION II – Deal Summary for Licensing Option #2 (Migration):

Deal Summary	
Programs	RAC, Partitioning, Diagnostics, Tuning, iAS - Processors
License Discount	75%
Support Discount	75%
Support Options/Holds	Updates and Product Support / 0% through Year 3, 2% in Years 4 and 5
Price Holds	75% for Core Tech – 3 years 50% for Apps ($500K min) through May 31, 2004; 40% ($500K min) for an additional 2 years
List License	$62M (pre-credit)
List Support	$13.6M (at 22%)
Net License	$ 4.3M
Net Support	$ 949K
Net Total Price	$ 5.26M
Price List Used	Current

Customer History - Existing Price Holds	
Existing contractual discount (price hold)	83%
Date of Price List for price hold	January 1998
When does price hold expire?	Recently Expired
Name of Agreement if applicable	Former GTE Agreement

SECTION III – Justification:

General Requests:

Price Holds for Future purchases: Verizon Communications has long maintained that Oracle does not treat them (e.g., discounts and terms) as if they are one of Oracle's largest customers. Vodafone in EMEA recently negotiated a 75% price hold for Oracle products and based upon Vodafone's minority ownership, this discount was also extended to Verizon Wireless (majority owned by Verizon Communications). The Account team anticipates that Verizon will argue that it is a larger customer than Vodafone and should be extended better discounts.

Apps discount would be extended as an incentive to break into this account, which currently does not use any Oracle Apps.

Support Cap: With a total support rate for 3 contracts (Bell Atlantic, GTE, and Verizon Wireless) of approximately $18M, this customer is very focused on on-going maintenance costs.

Licensing Option #1 (Enterprise True Up):

Personnel Licenses: As mentioned above, Verizon is comprised of two former Oracle Enterprise License Customers - Bell Atlantic and GTE. The Bell Atlantic ELA included database options while the GTE ELA did not. We'd like to be able to offer personnel database option licenses to resolve this existing license conflict between the former Bell Atlantic ELA and GTE ELA.

Entity Carve outs:

a. The former GTE ELA provided coverage for certain affiliates – including Telus. Since Telus is minority owned, their employees are not included in the counts detailed in SEC filings (Account manager spoke to Verizon's Investor Relations Group and confirmed this fact). Verizon is very concerned with price and by excluding this type of affiliate, we should be able to maintain better net unit pricing throughout negotiations without compromising future revenue opportunities for Telus.
b. Verizon Wireless is an easily segmented entity that acts totally independent of Verizon Communications. In fact, Verizon Wireless signed its own ELA in May 2001. If Verizon Wireless is not excluded, Oracle would face a "double licensing" objection from the client.

Net Pricing Requests: HQAPP previously approved the net unit pricing detailed above when Rich Allison attended a three-day negotiation session in April. This approval request asks to maintain the net pricing based on a lower employee count (as justified above). The discounts are in line with best pricing extended to other ELA Customers that are the size of Verizon.

Licensing Option #2 (Migration):

Discount: A 70% discount was presented to Verizon in April as part of a free migration option that would replace personnel licenses with processor licenses. Last week, Verizon requested more processors (60% more Partitioning, Diag, Tun; 100% more iAS; and 10% more RAC) as part of this free option. The strategy is to offer them the number of processors they requested at an increased discount that would apply to the migration and net new purchases.

This additional 5% discount is an incentive to get the client to commit to Oracle. Without this incentive, Verizon would accept the free migration and purchase as requirements arise. This will leave the door open for IBM to continue their progress in the account.

Net Fees "Utilization": The contract for Bell Atlantic's ELA does not provide any line item detail. Effectively, the pricing is bundled. When the migration was originally calculated in April, the line item credits were calculated with this method. This was done to more accurately represent the value of these products. Please note that these credits are consistent with the pricing option for the Enterprise True Up.

Recommendation: *(leave blank for HQAPP to fill out)*

Submitted By: *Rick Ducey, TSM and Tony Fernicola, GVP*
Field RM name if submitted by iSD:

R: *(leave blank for HQAPP to fill out)*
C:
L:
A:
BP:

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PLEASE NOTE THAT HQAPP WILL NOT REVIEW ANYTHING BELOW AND NOTHING BELOW WAS CONSIDERED FOR THEIR APPROVAL. ONLY DETAILS IN THE REQUEST SECTION (SECTION I) ABOVE WERE CONSIDERED IN THE APPROVAL GRANTED.